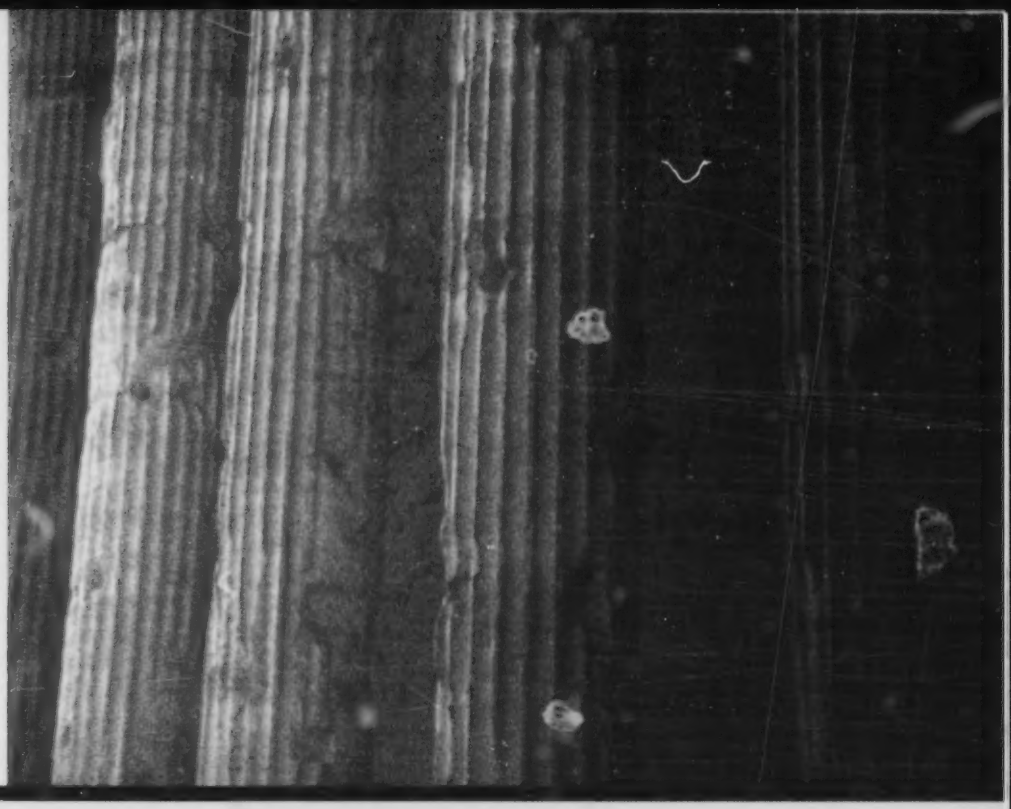

Capital
Pension Plan

2003 Annual Report

Working for your Future

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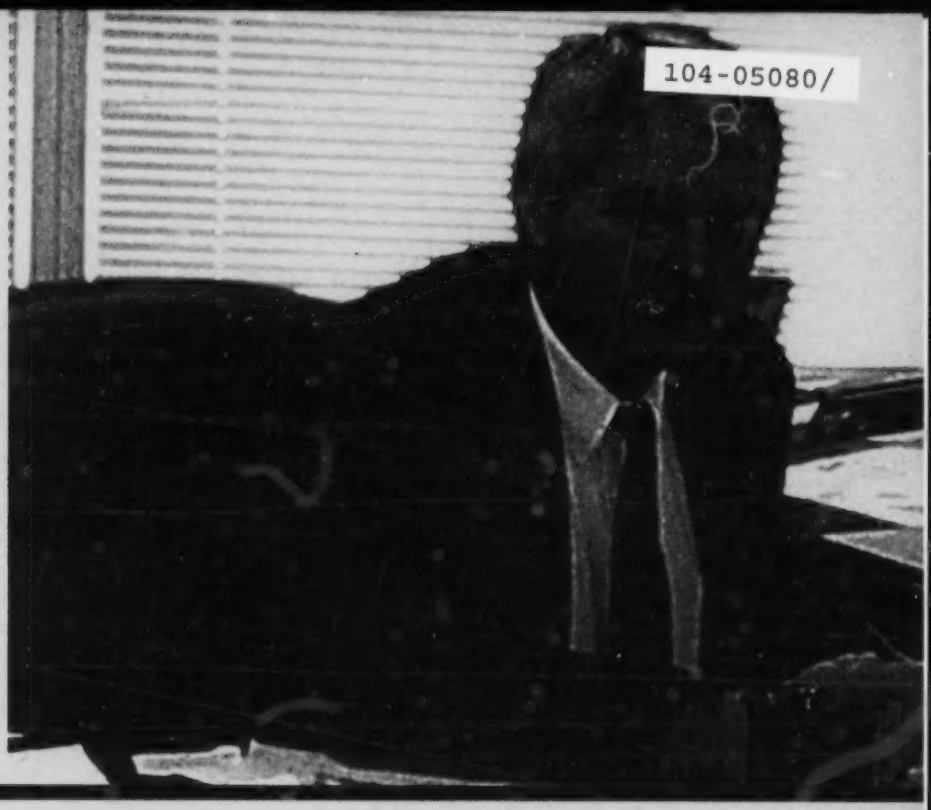


Capital
Pension Plan

Introduction

Message from the Chair

December 31, 2003

To: The Members of the Capital Pension Plan

As Chair of the Pension Board for the Capital Pension Plan, I am pleased to present the Annual Report and audited Financial Statements for the fiscal year ending December 31, 2003.

The Capital Pension Plan enjoyed many successes during 2003. Recovery in equity market performance had a positive impact on the Diversified Fund. For the first time in three years, all of the Plan's benchmark indices posted positive annual returns. As a result, the Diversified Fund posted a rate of return of 13.73%. Capital's Pre-Retirement Fund provided an annual rate of return of 2.81% for 2003, which is in line with the benchmark and expected return for the Fund. In mid-2002, the investment portfolio of the Pre-Retirement Fund was changed from short-term bonds to money-market investments. This change was made to enable transfers back and forth between the Diversified Fund and the Pre-Retirement Fund. With the enhancement to permit transfers, a record number of eligible Plan members took advantage of this option, which increased the administration costs for the Fund.

The Capital Pension Plan embarked on the Capital*Connect* Project in 2003, with a goal to introduce a new pension administration system for the Plan. Although the current system remains stable, it is becoming outdated and is limiting the Plan's ability to make changes and move forward. During the year, Plan administration developed goals and objectives for a new system and reviewed proposals from several potential providers. In the Fall of 2003, CPAS Systems Inc., a leading provider of pension administration systems in Canada, was chosen as the provider of the new system.

In closing, I would like to acknowledge the commitment of my fellow Pension Board members who have worked to ensure the successful operation of the Capital Pension Plan. I would also like to thank our investment managers, asset consultant, custodian and the Plan's administration staff for their hard work during the past year.

Sincerely,

Harvey E. McEwen
Board Chair, Capital Pension Plan

Capital Pension Plan Board Members

back row (left to right) - **Robert Wiebe, Ken Klein, Larry Sheffer, Kevin Taylor, Micheal McPherson**
front row (left to right) - **Don Axtell, Harvey McEwen, Ron Cameron, David Brindle**

Capital Pension Plan Board

Harvey McEwen, Chair
Capital Pension and Benefits Administration, Retired

Robert Wiebe
Saskatchewan Watershed Authority

Don Axtell
Crown Investments Corporation

David Brindle
CEP Local 911, ISM Canada

Larry Sheffer
Office and Professional Employees International Union Local 397

Kevin Taylor
Saskatchewan Government Insurance

Micheal McPherson
Saskatchewan Housing Authorities

Ron Cameron
Saskferco Products Inc.

Ken Klein
Capital Pension & Benefits Administration

Board Sub-committees

Investment Committee
Don Axtell - Committee Chair
Ron Cameron
Ken Klein
Harvey McEwen

Audit Committee
Ron Cameron - Committee Chair
Kevin Taylor
Don Axtell

Governance Committee
Micheal McPherson - Committee Chair
Ron Cameron
Kevin Taylor
Ken Klein

Investment Managers and Service Providers

Investment Managers - Diversified Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Lincluden Management Limited
Oakville, Ontario

State Street Global Advisors
Toronto, Ontario

Investment Manager - Pre-Retirement Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Investment Manager - Retirement Annuity Fund

Greystone Capital Management Inc.
Regina, Saskatchewan

Asset Consultant

James P. Marshall, a Hewitt Company
Regina, Saskatchewan

Custodian

Royal Trust
Calgary, Alberta

Auditors

KPMG LLP
Regina, Saskatchewan

Plan Governance

The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan. The Plan's purpose is to provide employers with a cost and tax effective method of providing their employees with a means to systematically save for retirement.

The Capital Pension Plan provides retirement benefits to its members and survivor benefits to their beneficiaries. The Plan currently has more than 50 participating employers, including private corporations, labour unions, crown corporations and other selected organizations. There are over 7,000 members in the Plan.

The Plan sponsor is the Crown Investments Corporation of Saskatchewan (CIC). Overall direction is provided by the Pension Board who are representatives from participating employers appointed by the Plan sponsor. Most Pension Board representatives are also members of the Plan.

The Capital Pension Plan is registered under the *Income Tax Act* (Canada) as No. 0395624. The Plan is governed by the Plan Document, filed with the Superintendent of Pensions (Saskatchewan) in accordance with the *Pension Benefits Act, 1992*. The Plan is administered by the Capital Pension and Benefits Administration.

Governance

The Capital Pension Plan Board is committed to practicing sound governance principles. The Board strives to provide effective Plan management in a cost-effective manner, that contributes to the retirement goals of the membership. In order to meet their retirement goals, the Board recognizes that members' require current information about Plan provisions and investment performance on a timely basis.

Since the Capital Pension Plan is a defined contribution plan, investment performance impacts the equity growth of Plan member's accounts, and thus, their retirement plans. Mindful of this, the Board monitors the Plan's investment performance regularly.

The Capital Pension Plan's Diversified Fund is designed to provide long-term capital growth within acceptable levels of investment risk. To mitigate risk, the Board incorporates diversification in asset mix, investment manager and management style.

The Board recognizes that members' tolerance towards investment risk may diminish as retirement approaches. To this end, the Pre-Retirement Fund was created in 1994 and designed to preserve capital over the short-term. The Pre-Retirement Fund invests solely in money-market investments. Since money-market investments are not designed to provide capital growth, participation in the Fund is restricted to Plan members who are within 5 years of their earliest possible retirement date.

To set their retirement goals and meet their objectives, Plan members require current information about their pension plan in a timely manner. The Capital Pension Plan's communication practices extend beyond legislated communication minimums. In addition to their Annual Member's Statement, each Plan member receives a minimum of three issues of *the Capital Report*, the Plan's newsletter which is mailed directly to the member's last known home address on file with the Plan. Members also have access to the Plan's website at www.capitalpension.com. The website is updated at least weekly and provides timely information about investment performance, explanations about Plan provisions and access to annual reports. The Plan also publicizes an inquiry email address and telephone number for members to obtain information about their own equity account.

In 2003, the Capital Pension Board continued its examination and work on the Plan's governance structures and processes. A detailed review and analysis of Board structures was initiated. Analysis will continue during 2004 to ensure that the structure of the Capital Pension Plan Board is appropriate.

2003 Highlights

The Capital Pension Plan Board focussed on compliance reporting from investment managers. It was determined that independent verification of compliance reports was required. The Board explored various options to ensure that appropriate verification would be provided in a cost effective manner. Royal Trust was contracted to provide independent investment manager compliance verification for segregated funds. Analysis will continue in 2004 to determine an appropriate, cost effective method to ensure compliance for pooled funds.

During 2003, the Capital Pension Plan fulfilled each of its goals documented in the 2002 Annual Report:

- the Plan provided competitive returns, earning a rate of return of 13.73% for the Diversified Fund and 2.81% for the Pre-Retirement Fund;

- a re-designed Plan website was launched on December 1, 2003. The new website provides many enhancements, including a "frequently asked questions" section, a glossary of pension plan terminology, quarterly investment performance and a "Latest News" section. The website continues to be updated at least weekly.

- a Capital Pension Plan Summary booklet was published in 2003 and provided to every Plan member in October;

- the Capital Pension Plan obtained 2 additional participating employers in 2003. A marketing strategy was also developed;

- the Capital Pension Board continued to develop and refine governance structures and processes. Plan practices were reviewed and documented into separate Code of Conduct and Conflict of Interest policies;

- the Capital*Connect* Project was initiated, with a goal to replace the Plan's current pension administration information technology systems. Plan administration reviewed several proposals and chose CPAS Systems Inc. as the provider of the new system.

- member information sessions were conducted by request.

Challenges for 2004

The Plan has identified the following goals for 2004:

- continue to provide competitive investment returns;

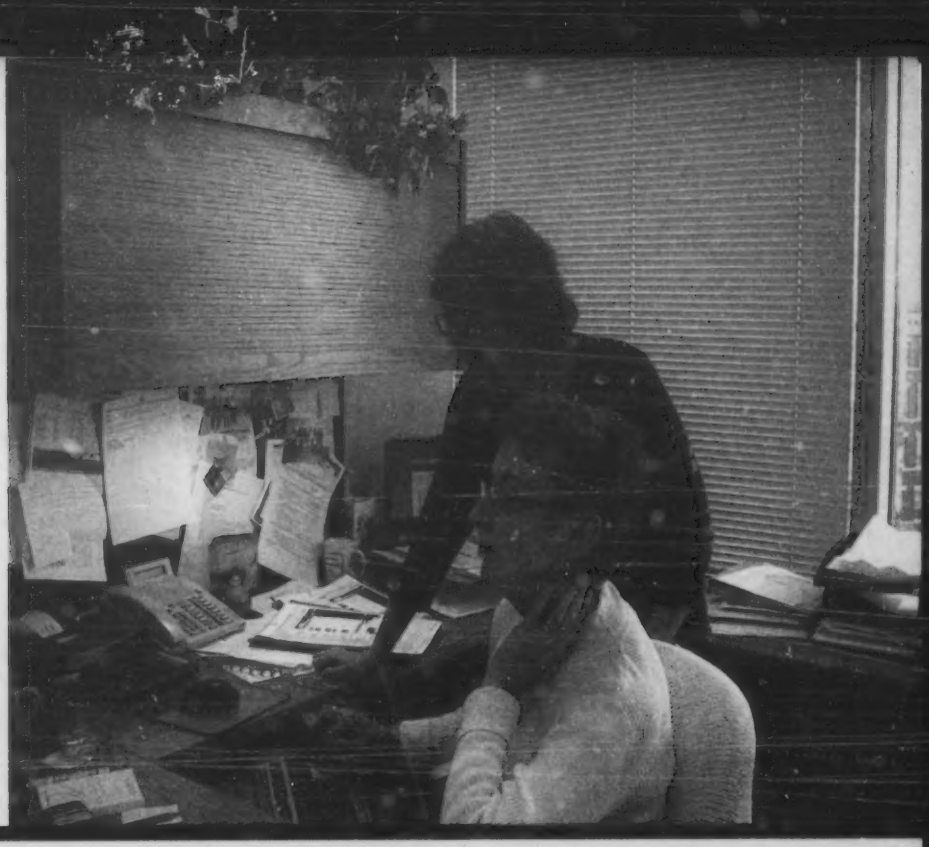
- finalizing the Plan's mission, vision and values;

- continued development and refinement of governance structures and processes, including a documented privacy policy and processes;

- pursue growth opportunities and acquire new participating employers;

- continued development and implementation of the Capital*Connect* Project.

- continued examination and implementation of appropriate Board structures.



Capital
Pension Plan

Administration

Membership

The Capital Pension Plan may consider the membership of any employer interested in joining the Plan. In order to participate in the Plan, an employer must adopt the Plan by resolution.

Participating employers may determine the eligibility criteria for their employees. Typically, full-time employees become eligible to contribute to the Plan immediately, or upon completing a probationary period. Part-time employees may be required to meet certain minimum employment criteria before becoming eligible to contribute to the Plan.

Vesting

Vesting refers to the point in time when a member becomes entitled to all past and future contributions made by their employer on their behalf. Contributing members of the Capital Pension Plan become vested at the earlier of:

- the completion of 2 years of continuous employment service with a participating employer (employers may establish a period of less than 2 years); or
- the date of the member's death; or
- the date the member turns age 65.

Members that terminate prior to becoming vested forfeit their right to the employer's contributions made on their behalf.

Contributions

Both participating employers and contributing members make required contributions to the Plan. Member and employer contributions are directed to an account in the member's name. Contributing members make required contributions to the Plan based on a percentage of their individual earnings. Participating employers are required to make a contribution on behalf of each of their active members in an amount equal to the member's contribution, unless another contribution rate is established by resolution. *The Pension Benefits Act (1992)* establishes a minimum contribution rate of 1% for participating employers.

Contributing members may choose to make additional voluntary contributions to the Plan. Participating employers are not required to make contributions with respect to voluntary contributions.
Contributions to the Capital Pension Plan are subject to contribution limits set in the *Income Tax Act* (Canada).

Transferring Equity to the Capital Pension Plan

Members may transfer equity from previous pension plans to the Capital Pension Plan. If a reciprocal agreement exists, service from the previous pension plan may be recognized as well. Members may also transfer funds currently held in RRSPs to the Capital Pension Plan.

Locked-in Equity

Members' equity is categorized as either locked-in or non locked-in. Locked-in equity can be used only to provide pension income at retirement and cannot be withdrawn from the Plan as cash upon termination of employment. Non locked-in equity may be withdrawn as cash and is taxed upon withdrawal.

Required employee and employer contributions become locked-in when the member becomes vested in the Plan. Funds transferred to the Plan on a locked-in basis (i.e. from other pension plans) remain locked-in indefinitely. Voluntary contributions and funds transferred to the Plan from RRSPs remain locked-in as long as the member is employed with a participating employer.

Non Locked-in Equity

Once a member terminates employment, voluntary contributions and funds transferred to the Plan from RRSPs become non locked-in equity. Members may choose to leave the funds in the Plan, withdraw them as cash (with tax withheld), or transfer them to an RRSP.

For Saskatchewan members enrolled in the Plan prior to January 1, 1994, a portion equivalent to 50% of the member's required employee contributions (with earnings thereon) made to the Plan prior to January 1, 1994 is categorized as non locked-in equity.

Retirement

Members may retire and receive a pension from the Capital Pension Plan when:

- the member turns age 50; or
- the member's age plus pensionable service equal 75.

Members may defer receipt of pension income up to the end of the calendar year in which they turn age 69.

Pension Income Options

At retirement, members convert their Capital Pension Plan equity to pension income through the purchase of a retirement income vehicle as prescribed in the legislation and/or regulations in each province.

In April 2002, the *Pension Benefits Regulations (1993)* in Saskatchewan were amended to permit Saskatchewan members to purchase a Registered Retirement Income Fund, subject to the conditions prescribed in the regulation. As a result of the changes, Saskatchewan members of the Capital Pension Plan have the option to purchase one or a combination of the following options:

- a Life Annuity from the Retirement Annuity Fund (RAF), operated by Capital Pension Plan or from a life insurance company; or
- a Registered Retirement Income Fund.

Pension options available to Capital Pension Plan members employed in a province other than Saskatchewan when they make their last contribution to the Plan include:

- the purchase of a Life Annuity from the Retirement Annuity Fund (RAF), operated by Capital Pension Plan or from a life insurance company, or
- the purchase of a Life Income Fund (LIF), where applicable; or
- the purchase of a Locked-in Retirement Income Fund (LRIF), where applicable.

The amount of pension income a member receives at retirement depends on:

- the pension income option(s) the member chooses;
- depending on the option chosen and the investment returns earned by the funds;
- the age of the member; and
- depending on the option chosen, the age of the member's spouse, if applicable.

Survivor Benefits Prior to Retirement

In the event of a member's death prior to retirement, the Plan provides a survivor benefit to the member's surviving spouse or designated beneficiary. The value of the benefit is equal to the member's equity.

If the member has a spouse, the spouse may, in the event of the member's death:

- leave the equity in the Plan; or
- transfer the equity to a Locked-in Retirement Account (LIRA); or
- purchase a pension income product (as outlined on pages 15 and 16), regardless of the spouse's age.

If the member does not have a spouse, the member's equity is paid to the designated beneficiary(ies) or the member's estate as a lump sum (tax withheld).

Survivor Benefits After Retirement

The survivor benefits payable in the event of the member's death after retirement depend on the pension income option(s) chosen.

Administration Cost Summary

Day to day administration of the Capital Pension Plan is performed by the Capital Pension and Benefits Administration. The Plan is administered on a cost-recovery basis. Administrative expenses are deducted from the Plan's earnings prior to the allocation of investment returns to members' individual equity accounts. Administration expenses are generally allocated to the investment funds based on the market value of the Fund, although some costs are fixed amounts.

For 2003, overall administration costs remained relatively stable at approximately 0.34% or 34 basis points of the Plan's total market value.

Administration cost increases were experienced by the Pre-Retirement Fund due to significantly increased participation during the first and second quarters of 2003 as eligible members transferred equity from the Diversified Fund. Increased participation led to a higher Fund value during the year, which resulted in increased investment management fees, although many of these members chose to transfer their equity back to the Diversified Fund late in the fourth quarter.

Administration cost increases were also experienced by the Retirement Annuity Fund, due to the increase in its market value during 2003.

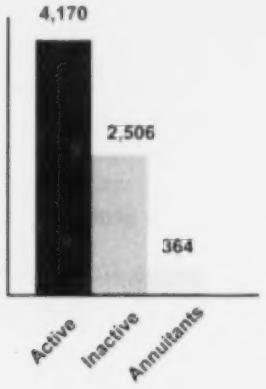
Administration Expenses

	Diversified Fund		Pre-Retirement Fund		Retirement Annuity Fund		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Investment Management Fees	**$1,170**	$1,180	**$14**	$7	**$29**	$28	**$1,213**	$1,215
Custodial Service Fees	**$66**	$70	**$4**	$3	**$5**	$4	**$75**	$77
Investment Performance& Consultant Fees	**$64**	$62	**$1**	$1	**$3**	$3	**$68**	$66
Actuarial Services	**--**	--	**--**	--	**$11**	$8	**$11**	$8
Auditor's Fees	**$13**	$15	**$2**	$2	**$6**	$6	**$21**	$23
General Administration*	**$693**	$655	**$19**	$9	**$107**	$65	**$819**	$729
Total	**$2,006**	$1,982	**$40**	$22	**$161**	$118	**$2,207**	$2,122

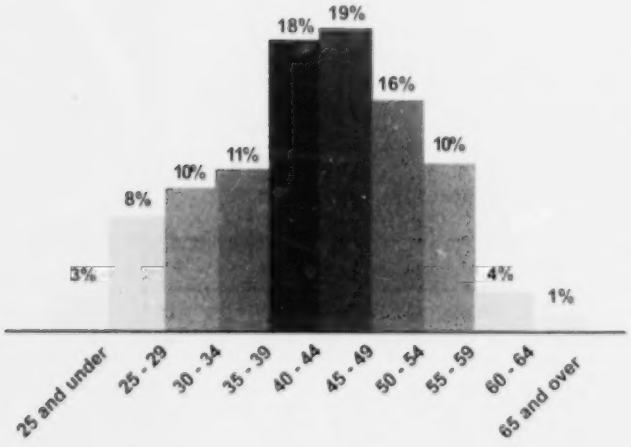
*General administration includes costs for computer systems, salaries and benefits, office rentals, supplies, etc.

Membership Statistics

At December 31, 2003, the Capital Pension Plan had 7,040 members, representing a net membership increase of 105 members from 2002.



Membership Demographics
December 31, 2003



Capital
Pension Plan

Investments

The Capital Pension Plan receives contributions from members and participating employers and holds them in trust. Contributions are invested in the Plan's investment funds.

The investment of the Plan's assets has been delegated to professional investment managers under the supervision of the Pension Board which monitors each Fund based on the guidelines established in the Fund's *Statement of Investment Policies and Goals*. These guidelines are reviewed annually by the Pension Board. Revisions are made as required.

The Plan's custodian, Royal Trust ensures the safekeeping of the assets, income collection, settlement of investment transactions and accounting for the investment transactions.

The Capital Pension Plan offers members some investment choice. The majority of Plan membership invest their contributions in the Diversified Fund. Members within 5 years of their earliest retirement date may choose to invest some or all of their Plan equity in the Pre-Retirement Fund. Retiring members that choose to purchase an annuity from the Capital Pension Plan are required to transfer their equity to the Plan's Retirement Annuity Fund.

At December 31, 2003, the total market value of the assets held by the Capital Pension Plan's contributory funds (which excludes the Retirement Annuity Fund) was $677 million.

Market Value
(December 31)

The Diversified Fund

Capital's Diversified Fund was established in 1976. The investment objective of the Diversified Fund is to provide long-term investment growth within acceptable levels of risk, to maximize retirement wealth for Plan members. To achieve this objective, the Diversified Fund employs an asset mix with a bias towards equity investments. Historically, equities have provided higher average rates of return, although with a greater level of investment risk. Within the equity asset class, the Diversified Fund contains a mix of Canadian, U.S. and Non-North American holdings. Foreign content may not exceed 30% of the book value of the Fund, as per the guidelines established by Canada Customs and Revenue Agency.

The Diversified Fund balances equity investments with bonds, mortgages, real estate and short-term investments. This diversified asset mix is designed to take advantage of potentially higher returns historically associated with equity investments while counteracting some of the associated volatility and risk with bonds and other types of investments. The Pension Board attempts to further reduce the overall level of risk by further diversifying within asset classes by investment manager, style and investment mandate.

Investment Policies and Goals

The assets of the Diversified Fund are invested in accordance with the Fund's *Statement of Investment Policies and Goals*, which includes the Fund's asset mix guidelines, quality and quantity constraints for each type of asset, the portfolio benchmark and performance objectives. At a minimum, the *Statement of Investment Policies and Goals* is reviewed annually and revised as required by the Pension Board.

The Diversified Fund's *Statement of Investment Policies and Goals* was reviewed during 2003. Consideration was given to adjusting the asset mix and further broaden diversification by contracting an additional investment manager for non-North American equities. Analysis will continue in 2004.

Diversified Fund's Investment Managers

The Capital Pension Board attempts to further reduce overall investment risk by diversifying within asset classes by investment manager, style and investment mandate. In 2003, Capital's Diversified Fund was managed by the following three investment managers:

Greystone Capital Management Inc. is the Fund's main investment manager, responsible for a diversified portfolio including Canadian equities, foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Goldman Sachs to manage the Non-North American equities portion of the portfolio.

State Street Global Advisors is responsible for a portion of the Canadian bond portfolio and employs a passive (i.e. index) management style.

Lincluden Management Limited is responsible for a portion of the Canadian equity portfolio.

Diversified Fund Benchmark Portfolio

Asset Class	Weight	Market Index
Canadian Equities	29%	S & P/TSX Composite Index
U.S. Equities	14%	S & P 500 Index ($C)
Non-North American Equities	14%	MSCI EAFE Index ($C)
Real Estate	5%	Russell Canadian Property Index
Bonds	36%	SC Universe Bond Index
Short-term/cash	2%	91-day T-bills

The Diversified Fund is evaluated against a benchmark portfolio consisting of specific weightings for each of the Fund's major asset classes. The return of the benchmark portfolio is calculated by multiplying the benchmark weightings by the rate of return achieved by the relevant market index. This provides the return that would have been attained had the investment policy guidelines been passively implemented. The amount by which actual Fund performance exceeds the benchmark return reflects the "value added" by the investment managers. Individual investment managers are evaluated against benchmark market performance over the long- term.

Return Expectations and Benchmarks

The Pension Board sets benchmarks to evaluate the performance of the Fund's investment managers. Investment managers provide the Pension Board with quarterly reports on investment performance. In conjunction with James P. Marshall, a Hewitt Company, an independent firm specializing in evaluating investment performance, the Pension Board evaluates performance on a quarterly, annual, and consecutive four-year rolling basis (i.e. 4-year annualized).

The long-term investment goal of the Fund is to achieve a minimum annualized rate of return of three percentage points above inflation as measured by the Canadian Consumer Price Index (CPI) over a term of 10 years or more.

The investment managers appointed by the Pension Board are directed to achieve a satisfactory long-term real rate of return through a diversified portfolio within their mandate that is consistent with acceptable risks and prudent management.

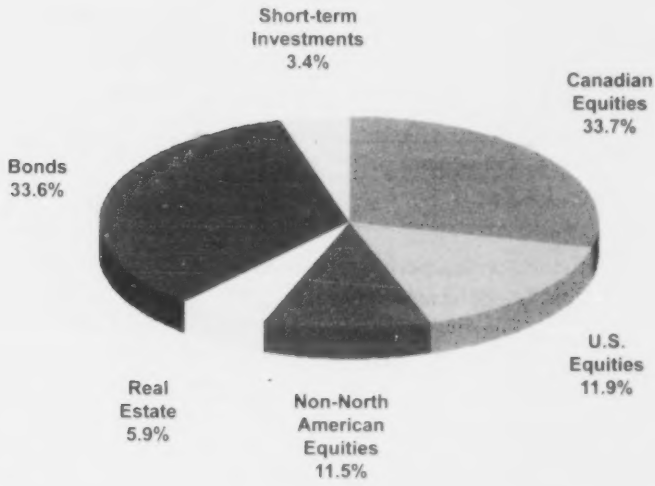
Diversified Fund Asset Mix Guidelines and Benchmark
December 31, 2003

	Minimum %	Maximum %	*Benchmark %*
Equities			
Canadian Equities	19	40	*29*
U.S. Equities	5	30	*14*
Non-North American Equities	5	30	*14*
Emerging Market Equities	0	3	*0*
Total Foreign Equities	**14**	**35***	***28***
Total Equities	**33**	**65**	***57***
Real Estate			
Total Real Estate	**0**	**7**	***5***
Fixed Income			
Bonds	30	60	*36*
Mortgages	0	5	*0*
Short-term Investments	1	40	*2*
Total Fixed Income	**31**	**100**	***38***

* not to exceed 30% of book value

The asset mix of the Diversified Fund varied throughout the year within the ranges (stated above) established by the Pension Board. This reflects the investment managers' efforts to add value to the Fund by adjusting the weightings to respond to changing market conditions. Throughout the year, the Fund's asset mix remained in compliance with the *Statement of Investment Policies and Goals*.

Diversified Fund Asset Mix - December 31, 2003



Diversified Fund 2003 Performance

Recovery in equity market performance during 2003 had a positive impact on the Diversified Fund. For the first time in three years, all of the benchmark indices posted positive annual returns.

Canadian equity markets led the recovery, with the S&P/TSX Composite Index posting a year-end return of 26.7%. Although the S&P 500 Index earned a higher absolute rate of 28.7% (in U.S. dollars), this return translates to 5.3% when converted to Canadian dollars due to the increased strength of our currency. The EAFE Index also posted a double digit return of 13.4% (in Canadian dollars) at year end. The Canadian bond market, as measured by the Scotia Capital Universe Bond Index (SC UBI) ended the year with a return of 6.7%, its smallest annual increase in four years. Performance in the real estate market remained stable, providing a return of 8.1% compared to 8.2% last year.

The Diversified Fund's Canadian equity portfolio all but matched the return of its benchmark, earning a return of 26.6%. Capital's U.S. equity portfolio exceeded its benchmark with a return of 7.9% for the year. The Fund's Non-North American equity portfolio is the only asset class that fell short of its benchmark index, providing a return of 12.8% for the year. Capital's bond and real estate portfolios exceeded their benchmarks, earning returns of 6.8% and 9.0% respectively.

The Diversified Fund

Total Fund		
	Annual	4-year Annualized
Diversified Fund	**13.73%***	**5.39%***
Benchmark Portfolio	*13.2%*	*2.1%*

*returns are net of all expenses.

For Canadian equities, Greystone's annual performance lagged the benchmark, but their 4-year annualized performance exceeded the benchmark. Lincluden outperformed the benchmark on an annual and 4-year annualized basis.

Canadian Equities		
	Annual	4-year Annualized
Combined Performance	**26.6%**	**12.5%**
Greystone	**23.6%**	**8.9%**
Lincluden	**28.2%**	**15.9%**
S&P/TSX Composite Index	*26.7%*	*1.0%*

Greystone out-performed the annual and the 4-year annualized benchmark in the U.S. equity asset class.

U.S. Equities		
	Annual	4-year Annualized
Greystone	**7.9%**	**-7.4%**
S & P 500 Index	*5.3%*	*-8.0%*

For the Non-North American equities asset class, Greystone fell short for both the annual benchmark and the 4-year annualized benchmark performance.

Non-North American Equities		
	Annual	4-year Annualized
Greystone	12.8%	-11.7%
EAFE Index	*13.4%*	*-8.6%*

Overall bond performance exceeded benchmark performance. Greystone all but matched the benchmark on an annual and outperformed the benchmark on a 4-year annualized basis. State Street Global Advisors also outperformed the benchmark on an annual basis. State Street was hired effective March 1, 2002, therefore annual and 4-year annualized performance data remains unavailable.

Bonds		
	Annual	4-year Annualized
Combined Performance	6.8%	9.1%
Greystone	6.6%	9.2%
SSgA	7.0%	n/a*
SC UBI	*6.7%*	*8.4%*
**State Street Global (SSgA) was hired effective March 1, 2002.*		

Greystone's real estate holdings outperformed the benchmark on an annual basis, but fell short of the four-year annualized benchmark.

Real Estate		
	Annual	4-year Annualized
Greystone	9.0%	9.2%
*IPD Index**	*8.1%*	*9.7%*

**The Russell Canadian Property Index was replaced by the Investment Property Databank (IPD Index) effective January 1, 2003.*

The Diversified Fund

Historic Investment Performance for the Diversified Fund

	2003		2002		2001		2000	
	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark	Diversified Fund	Benchmark
Total Fund	**13.73%**	**13.2%**	**-3.30%**	**-6.0%**	**2.94%**	**-3.6%**	**8.19%**	**5.6%**
Canadian Equities	26.6%	26.7%	-0.9%	-12.4%	7.0%	-12.6%	18.8%	7.4%
U.S. Equities	7.9%	5.3%	-25.5%	-22.9%	-6.5%	-6.4%	-2.2%	-5.9%
Non-North American Equities	12.8%	13.4%	-19.0%	-16.8%	-22.2%	-16.7%	-14.6%	-11.2%
Real Estate	9.0%	9.2%	11.6%	8.2%	7.8%	10.7%	8.5%	10.4%
Bonds	6.8%	6.7%	9.0%	8.7%	8.9%	8.1%	11.7%	10.3%

Compound Rates of Return for the Diversified Fund

	1 year	2 years	3 years	5 years	10 years
Diversified Fund	13.73%	4.87%	4.22%	6.79%	9.10%
S&P/TSX Composite Index	26.7%	5.3%	-1.0%	6.5%	8.6%
S & P 500 Index	-22.9%	-15.0%	-12.1%	1.4%	11.8%
MSCI EAFE Index	13.4%	-2.9%	-7.7%	-3.5%	4.2%
SC UBI	6.7%	7.7%	7.8%	6.4%	7.8%
IPD Index*	8.1%	8.4%	9.0%	9.8%	9.7%

*The Russell Canadian Property Index (RCPI) was replaced by the Investment Property Databank (IPD Index) effective January 1, 2003. The compound rates shown include data from the RCPI until December 31, 2002 and the IPD Index going forward.

Capital's Pre-Retirement Fund was established in 1994. It is available to members who are within five years of their earliest possible retirement date. The investment objective of the Pre-Retirement Fund is to preserve capital over the short-term and earn a rate of return competitive with money market funds. The Fund is designed for members who wish to reduce their equity exposure as they approach retirement.

Investment Policies and Goals

The assets of the Pre-Retirement Fund are invested in accordance with the *Statement of Investment Policies and Goals*. This includes the Fund's asset mix guidelines, quality and quantity constraints and performance objectives. The *Statement of Investment Policies and Goals* is reviewed annually and revised as required by the Pension Board.

The Pre-Retirement Fund's *Statement of Investment Policies and Goals* was reviewed during 2003 and no changes were required.

Pre-Retirement Fund Benchmark Portfolio

Asset Class	Weight	Market Index
91-day T-bills	100%	Scotia Capital 91-day Treasury Bill Index

Pre-Retirement Fund's Investment Managers

The entire portfolio of the Pre-Retirement Fund is managed by Greystone Capital Management Inc.

Return Expectations and Benchmarks

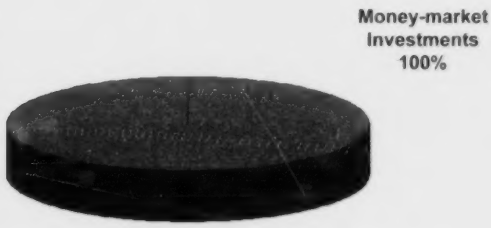
The goal of the Pre-Retirement Fund is to preserve capital over the short-term and earn a rate of return competitive with money market funds. The Fund's investment manager provides the Pension Board with quarterly reports on performance. In conjunction with James P. Marshall, the Pension Board evaluates performance on a quarterly, annual and four-year annualized basis.

	Minimum %	Maximum %	*Benchmark* %
Fixed Income			
Short-term Investments (money market)	100	100	*100*

The Pre-Retirement Fund

The portfolio asset mix of the Pre-Retirement Fund remained in compliance with the *Statement of Investment Policies and Goals* throughout 2003.

Pre-Retirement Fund Asset Mix - December 31, 2003



Pre-Retirement Fund 2003 Performance

The Pre-Retirement Fund provided an annual rate of return of 2.81% for the year. Although this rate is lower than last year, it is the return that was expected for the Fund. The investment portfolio of the Pre-Retirement Fund was changed from short-term bonds to money-market investments in June 2002. This change was made to enable transfers back and forth between the Plan's investment funds.

It is important to note that annual returns are calculated after all expenses are deducted from its earnings. With the enhancement to permit transfers between the Diversified Fund and the Pre-Retirement Fund, a record number of eligible Plan members chose to transfer equity to the Pre-Retirement Fund during 2003, which increased the investment management costs for the Fund. This contributed to the annual performance of the Fund being slightly lower than its benchmark.

Total Fund		
	Annual	4-year Annualized
Pre-Retirement Fund	**2.81%***	**5.2%***
91-day T-bills	*2.9%*	*3.9%*

*returns are net of all expenses.

Compound Rates of Return for the Pre-Retirement Fund

	1 year	2 years	3 years	5 years	10 years
Pre-Retirement Fund	2.81%	3.60%	4.25%	4.80%	5.95%
91-day T-bills	*2.9%*	*2.7%*	*3.4%*	*4.1%*	*4.6%*

The Retirement Annuity Fund

In 1986, the Retirement Annuity Fund was established to provide lifetime pension annuities to members of the Capital Pension Plan. Members wishing to purchase a life annuity may do so through the Retirement Annuity Fund or from a life insurance company.

When a member chooses to purchase a life annuity from the Retirement Annuity Fund, his or her equity in the Capital Pension Plan is transferred to the Retirement Annuity Fund and a life annuity contract is established.

The monthly annuity amount payable to the member from the Retirement Annuity Fund is determined by:

- the amount of equity used to purchase the life annuity;
- the member's age;
- the minimum payment period chosen (i.e. 5 year, 10 years or 15 years);
- the annuity rate in effect at the time of the annuity purchase; and
- the age of the member's spouse (if a joint & survivor life annuity is purchased).

Investment Policies and Goals

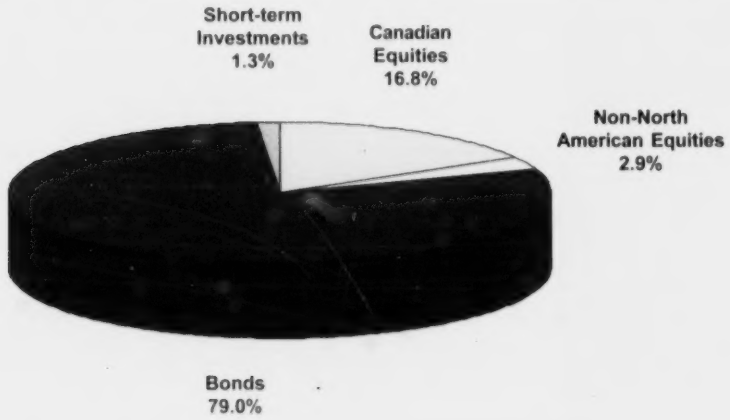
Funds transferred to the Retirement Annuity Fund are invested in accordance with the *Statement of Investment Policies and Goals* established for the Fund. The *Statement of Investment Policies and Goals* is reviewed periodically (i.e. at least once per year).

During 2003, the *Statement of Investment Policies and Goals* for the Retirement Annuity Fund was reviewed and no changes were required.

Retirement Annuity Fund's Investment Managers

The Retirement Annuity Fund is managed by Greystone Capital Management Inc.

Retirement Annuity Fund Asset Mix - December 31, 2003



Return Expectations and Benchmarks

The mandate of the Retirement Annuity Fund is to provide lifetime retirement benefits to members that purchase a life annuity from the Fund. A rate of return is not calculated for the Fund. The performance objectives of the Retirement Annuity Fund are:

- to be immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to annuitants can be made when due; and
- ensure long-term Fund solvency.

As such, the Fund contains a substantial "fixed income" component. Once these objectives have been met, any excess assets (i.e. assets in excess of those required to meet the duration matching strategy) may be invested in high quality equities to enhance the long-term solvency of the Fund. The performance objective of the equity component is to exceed the return of the following market indices:

- S&P/TSX Composite Index, for Canadian equities;
- S&P 500 Index (in Canadian dollars) for U.S. equities; and
- EAFE Index (in Canadian dollars) for Non-North American equities.

The Retirement Annuity Fund

Retirement Annuity Fund 2003 Performance

As of December 31, 2003, the performance of the fixed income component of the Retirement Annuity Fund accomplished the established performance goals. Performance of the equity component can be summarized as follows:

Retirement Annuity Fund Equity Component		
	Annual	**4-year Annualized**
Canadian Equities	23.1%	8.2%
S&P/TSX Composite Index	*26.7%*	*1.0%*
Non-North American Equities	12.8%	-11.8%
MSCI EAFE Index	*13.4%*	*-8.6%*

Capital
Pension Plan

Appendix

Actuarial Opinion, Recommendations and Certification

Opinion

This opinion forms an integral part of the report.

In our opinion, for the purposes of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- the assumptions, in aggregate, used in this report are appropriate; and
- the actuarial cost methods and the asset valuation methods employed in this report are appropriate.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

We Hereby Recommend That:

1. No additional contributions be made in respect of the Plan's current membership until at least the time of certification of the next actuarial funding recommendation. For greater clarification, no recommendation is provided in respect of assets to be transferred for new annuitants.

2. The next actuarial valuation for the purposes of developing a funding recommendation be performed no later than December 31, 2004.

We Hereby Certify That:

1. The purpose of this report is to determine the financial position of the Plan on a going concern and solvency basis, as at December 31, 2003, to determine the need for additional contributions to support the accrued liabilities, to provide information on the sensitivity of the going-concern results to changes in assumptions, and to provide a cash flow projection of expected annuity payments for 72 years following the valuation date.

2. The Plan has a going concern surplus (excess of assets over liabilities) of $4,598,000 as at December 31, 2003 based on the actuarial value of assets of $27,491,000 and liabilities of $22,893,000.

3. The present value, as at December 31, 2003, of the future liabilities for all annuities being paid out of the Plan has been fully pre-funded as of the valuation date and therefore there is no normal actuarial cost associated with these liabilities.

4. There is no solvency deficiency in the Plan and the solvency ratio is not less than 1. The assets of the Plan would exceed the Plan's liabilities if the Plan was terminated and wound-up as at December 31, 2003.

5. This report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

Donald L. Ireland
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

Paul Hebert
Associate, Society of Actuaries

February 10, 2004

Glossary of Terms

Active Member
(Contributing Member)

A member who is currently making employee required contributions to the Plan and/or whose employer is currently making employer required contributions to the Plan.

Annuitant

A member who has used some or all of his/her Plan equity from the contributory fund(s) to purchase a life annuity from the Retirement Annuity Fund.

Benchmark

A standard against which others are measured. For the purposes of this report, benchmarks are established market indices, listed as percentages, used to measure the performance of the Fund's investment returns in relative asset classes.

Benchmark Portfolio

The asset mix of a portfolio that is determined from an investment fund's asset mix guidelines and which is used to measure the performance of a Fund's overall return.

Benchmark Portfolio Return

The rate of return earned by the Benchmark Portfolio derived from the returns of the relative market indexes.

Contributory Funds

The Capital Pension Plan's Diversified Fund and Pre-Retirement Fund.

Inactive Member

A member who is no longer working for a participating employer, but who has chosen to leave all or part of his/her equity with the Capital Pension Plan.

Glossary of Terms

Plan Text

The official document of the Plan that describes its rules and regulations. Legislation requires that the Plan Text, and amendments thereto, must be filed with and approved by both the Superintendent of Pensions (Saskatchewan) and the Canada Customs and Revenue Agency.

Statement of Investment Policies and Goals

A policy document established by the Pension Board that sets out the asset mix of the investment funds, the manner by which the investment managers may invest the Fund's assets, the specific quantity and quality constraints, and the benchmark returns of the Funds.

Description of Market Indices

91-day T-Bills

Canada Treasury Bills represent the highest quality short-term investment instruments available. The index is constructed by selling and repurchasing government of Canada T-bills with an average term to maturity of 91 days.

Consumer Price Index (CPI)

Measures the relative prices at various times of a select group of goods and services which typify those purchased by urban families. It is used to gauge Canada's inflation rate.

Europe, Australia and Far East (EAFE) Index

The EAFE Index measures the total return attributable to the largest capitalized companies on the European, Australian and Far Eastern stock exchanges.

Emerging Markets Free (EMF) Index

The EMF Index measures the economies that are in the early stages of development, but whose markets have sufficient size and liquidity and are receptive to foreign investment, such as Malaysia and Argentina.

Investment Property Databank (IPD) Index

The ICREIM/IPD Canadian Property Index is published by the Investment Property Databank Ltd. under contract with the Canadian Institute of Real Estate Investment Managers. This index replaces the Russell Canadian Property Index, which was discontinued at the end of 2002. The IPD Index measures total returns on a diversified pool of properties. IPD compiles property level information from pension funds, life insurance companies and real estate managers on a quarterly basis. The Index contains over 1,700 properties.

Description of Market Indices

Scotia Capital Markets Universe Bond Index (SC UBI)

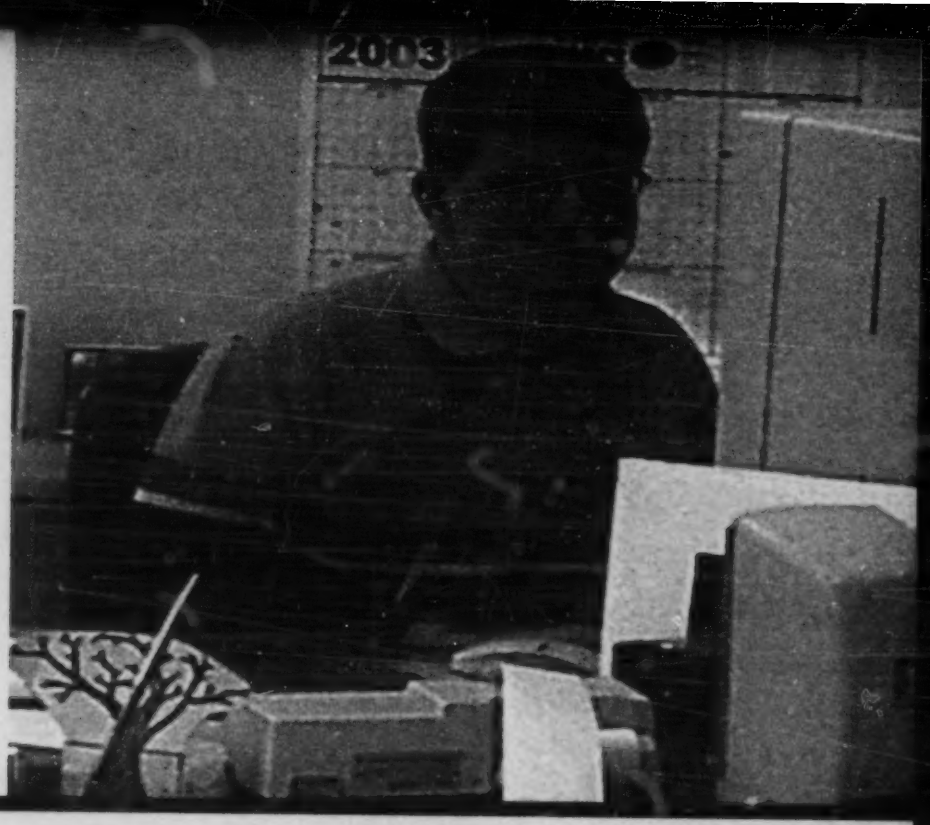
The SC UBI measures the total return attributable to Canadian bonds and includes representative bonds issues by issuer (Federal, Provincial, Municipal and Corporate), quality (AAA, AA, A and BBB); and term (short-term, mid-term, and long-term).

Standard & Poor's 500 Index (S & P 500)

The S & P 500 Index measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

S&P/TSX Composite Index (TSX Index)

Effective May 1, 2002, the TSE 300 Index is now known as the S&P/TSX Composite Index. The index comprises approximately 71% of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. It is calculated on a float market capitalization and is the broadest Canadian equity index available. The index also serves as the premier benchmark for Canadian pension funds and mutual market funds.



Capital
Pension Plan

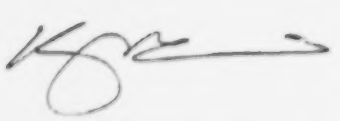
Financial Statements

Management's Responsibility For Financial Reporting

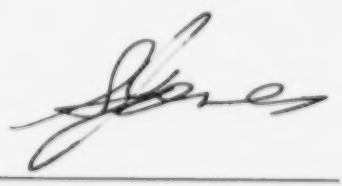
The financial statements and information contained in this 2003 Annual Report have been prepared by management of the Capital Pension and Benefits Administration and have been approved by the Pension Board. Information presented in this Annual Report that relates to the operations and financial position of the Capital Pension Plan is consistent with that in the financial statements.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information presented in this Annual Report.

KPMG, the Plan's external auditor, provides an independent audit for the financial statements. Its examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow it to report on the fairness of presentation of the financial statements prepared by management.



K. M. Klein
Executive Director



S. Jones
Manager,
Accounting and Administration

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Financial Statements of

CAPITAL PENSION PLAN – DEFINED CONTRIBUTION FUNDS

Year ended December 31, 2003

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KPMG LLP
Chartered Accountants
2000 – 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Telefax (306) 757-4703
www.kpmg.ca

AUDITOR'S REPORT
To the Members of the Capital Pension Plan – Defined Contribution Funds

We have audited the statement of net assets available for benefits of the Capital Pension Plan – Defined Contribution Funds as at December 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan – Defined Contribution Funds as at December 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada
February 4, 2004

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

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CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2003			2002
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Assets				
Investments at market value (Note 3)	$ 667,246	$ 10,163	$ 677,409	$ 599,283
Cash	2,032	137	2,169	2,074
Contributions receivable	1,307	13	1,320	1,169
Interest and dividends receivable	1,603	1	1,604	1,660
Capital assets (Note 5)	31	-	31	51
Total Assets	672,219	10,314	682,533	604,237
Liabilities				
Accounts payable	310	11	321	253
Prepaid participants' contributions	118	-	118	147
Total liabilities	428	11	439	400
Net assets available for benefits	$ 671,791	$ 10,303	$ 682,094	$ 603,837
Net assets available for benefits consists of:				
Members' equity	$ 671,743	$ 10,302	$ 682,045	$ 603,797
Unallocated unrealized appreciation	48	1	49	40
	$ 671,791	$ 10,303	$ 682,094	$ 603,837

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director _____ Director _____

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2003			2002
	Diversified Fund	Pre-Retirement Fund	Total	Total
	(thousands of dollars)			
Increase in Assets				
Contributions and transfers in:				
Participants' contributions	$ 10,557	$ 168	$ 10,725	$ 10,255
Members' contributions	8,794	144	8,938	8,531
Voluntary contributions	791	18	809	843
Transfers into the fund	4,061	68	4,129	3,270
Interfund transfers	806	(806)	-	-
	25,009	(408)	24,601	22,899
Investment income (Note 4)	24,801	517	25,318	7,542
Net unrealized gain (loss) in market value of investments	56,186	-	56,186	(26,154)
	105,996	109	106,105	4,287
Decrease in Assets				
Pension fund expenses:				
Investment management custodian fees	1,236	18	1,254	1,260
Salaries and benefits	401	11	412	383
Other	369	11	380	361
	2,006	40	2,046	2,004
Withdrawals and transfers out:				
Withdrawals	20,678	2,794	23,472	27,701
Payouts on retirement (Note 6)	2,063	237	2,300	1,178
Transfers to other pension plans	30	-	30	130
	24,777	3,071	27,848	31,013
Increase (decrease) in net assets	81,219	(2,962)	78,257	(26,726)
Net assets available for benefits, beginning of year	590,572	13,265	603,837	630,563
Net assets available for benefits, end of year	$ 671,791	$ 10,303	$ 682,094	$ 603,837

(see accompanying notes)

CAPITAL PENSION PLAN

DEFINED CONTRIBUTION FUNDS

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The operations of the RAF are reported separately. A combined financial statement for these three funds has also been prepared.

i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members, and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, pooled funds, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan. For purposes of these financial statements, the Diversified Fund and the Pre-Retirement Fund are collectively called the Defined Contribution Funds (DCF).

ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF's portfolio is invested solely in money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

iii) The RAF was established to enable the Plan to issue retirement annuities to Plan members.

1. **Description of Plan (continued)**

c) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

d) The Plan is a Registered Pension Plan as defined in the **Income Tax Act** and is not subject to income taxes.

2. **Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of investments

The DCF investments are recorded at market value determined as follows:

a) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds, debentures and equities not traded on a public exchange are valued at a price between the latest closing ask and bid prices.

Bonds, debentures and equities not traded on the valuation date are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the true value thereof.

Pooled funds are based on the quoted market price of the underlying investments.

b) Short-term investments are valued at cost which approximates their market value.

c) Mortgages are valued at their net present value using current market based rates of return.

d) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

Investment transactions and income

Investment transactions are recorded on the trade date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Interest income is accrued monthly and dividend income is recognized on the record date.

2. Significant Accounting Policies (continued)

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	5 years

3. Investments

Defined Contribution Funds investments consist of the following:

	2003	2002
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	$ 73,763	$ 66,740
Province of Saskatchewan	3,509	2,948
Other provincial	27,255	26,252
Municipal	632	-
Corporate and convertible	30,228	32,195
	135,387	128,135
Pooled Funds		
Canadian fixed income fund	92,286	86,263
Non-North American equity fund	76,758	68,059
	169,044	154,322
Short-term investments	22,961	23,476
Equities	300,434	242,396
Mortgages	655	712
Real estate	38,765	38,369
	667,246	587,410
Pre-Retirement Fund		
Canadian money market fund	10,163	11,873
	$ 677,409	$ 599,283

3. Investments (continued)

a) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 2.60% to 3.59% (2002 – 2.68% to 3.04%). Interest is receivable at maturity.

b) Bonds and debentures

The Funds' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2003		2002	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	3.00 - 5.75%	2.96 - 5.18%	3.50 - 5.75%	2.94 - 5.32%
Province of Saskatchewan	5.25 - 6.40%	4.01 - 5.59%	5.25 - 6.40%	4.36 - 5.79%
Other provincial	5.00 - 10.00%	2.80 - 5.74%	5.25 - 8.75%	2.91 - 5.91%
Corporate and convertible	4.00 - 9.00%	2.90 - 7.00%	4.25 - 9.00%	3.25 - 7.00%

3. Investments (continued)

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2003	2002
	(thousands of dollars)	
Government of Canada		
After one through five years	$ 33,253	$ 41,285
After five years	37,598	22,805
Province of Saskatchewan		
After one through five years	1,068	-
After five years	2,223	2,848
Other provincial		
After one through five years	1,026	6,311
After five years	24,205	18,352
Municipal		
After five years	618	-
Corporate and convertible		
Due in one year or less	460	-
After one through five years	15,153	16,233
After five years	13,082	14,772
	$ 128,686	$ 122,606

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is $79,423,000 (2002 - $72,559,000) denominated in U.S. dollars.

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

3. Investments (continued)

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 5.50% (2002 - 7.70%). Principal and interest are receivable on a monthly basis. The average term to maturity is 13.67 years (2002 - 12 years).

f) Real estate investments

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of $2,022,000 (2002 - $2,145,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. Investment Income

	2003	2002
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures interest	$ 11,399	$ 14,005
Interest on short-term investments	730	722
Interest on mortgages	47	79
Dividends	5,949	5,568
Income from real estate	2,514	2,834
Gain on sale of bonds and debentures	2,670	2,021
Gain (loss) on sale of equities	1,530	(19,546)
Gain (loss) on sale of real estate	(38)	1,297
Realization of mortgage discount	-	189
	24,801	7,169
Pre-Retirement Fund		
Bonds and debentures interest	$ -	$ 134
Interest on short-term investments	517	147
Gain on sale of bonds and debentures	-	92
	517	373
	$ 25,318	$ 7,542

5. Capital Assets

Capital assets at cost less accumulated amortization:

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
		(thousands of dollars)		
Computer equipment	$ 134	$ 108	$ 26	$ 40
Office furniture	20	15	5	8
Leasehold improvements	25	25	-	3
	$ 179	$ 148	$ 31	$ 51

6. Payouts on Retirement

As indicated in note 1(b), members may purchase annuities from the RAF upon retirement. During 2003, members transferred $2,300,000 (2002 - $1,178,000) from the DCF to the RAF for purposes of purchasing retirement annuities.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2003		2002	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
	(thousands of dollars)			
Participant's contributions	$ 6,382	$ 131	$ 6,186	$ 38
Investment income	185	-	172	22
Contributions receivable	883	8	771	14
Interest and dividends receivable	40	-	26	-

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

8. Investment Performance

The DCF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

The following is a summary of the DCF's investment performance before operating expenses:

	2003 Return		Rolling Four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	13.8%	3.0%	5.5%	5.2%
Benchmark rate of return	13.2%	2.9%	2.1%	3.9%

9. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:
a) cash,
b) short-term investments
c) contributions receivable
d) interest and dividends receivable; and
e) accounts payable
the carrying amounts approximates fair value due to their immediate or short-term maturity.

For all other investments, fair values are considered to be market value, the calculation of which is detailed in note 2.

10. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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Financial Statements of

CAPITAL PENSION PLAN – RETIREMENT ANNUITY FUND

Year ended December 31, 2003

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KPMG LLP
Chartered Accountants
2000 – 1881 Scarth Street
Regina SK S4P 4K9

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AUDITOR'S REPORT

To the Members of the Capital Pension Plan – Retirement Annuity Fund

We have audited the statement of financial position of the Capital Pension Plan – Retirement Annuity Fund as at December 31, 2003 and the statement of operations and fund equity for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan – Retirement Annuity Fund as at December 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada
February 4, 2004

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CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

STATEMENT OF FINANCIAL POSITION

As at December 31

	2003	2002
	(thousands of dollars)	
ASSETS		
Bonds and debentures (Note 3)	$ 24,136	$ 21,912
Pooled equity funds (Note 4)	4,606	4,502
Short-term investments	443	736
Total invested assets	29,185	27,150
Interest and accounts receivable	307	305
Cash	40	127
	$ 29,532	$ 27,582
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable (Note 8)	$ 2,040	$ 885
Provision for annuity benefits (Note 5)	22,893	21,248
	24,933	22,133
Fund equity (Note 6)	4,599	5,449
	$ 29,532	$ 27,582

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director _____ Director _____

CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

STATEMENT OF OPERATIONS AND FUND EQUITY

As at December 31

	2003	2002
	(thousands of dollars)	
Revenue		
Investment income	$ 1,790	$ 1,672
Loss on sale of investments	(5)	(196)
Transfers from Defined Contribution Funds upon members' retirement	2,300	1,178
	4,085	2,654
Expenses		
Payment to pensioners	1,971	1,902
Operating expenses	161	118
Increase in provision for annuity benefits (Note 5)	1,645	286
	3,777	2,306
Net increase in fund equity, before the undernoted	308	348
Settlement of claim (Note 8)	(1,158)	-
Net increase (decrease) in fund equity	(850)	348
Fund equity, beginning of year	5,449	5,101
Fund equity, end of year	$ 4,599	$ 5,449

(see accompanying notes)

CAPITAL PENSION PLAN

RETIREMENT ANNUITY FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978**, and continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Retirement Annuity Fund (RAF) and the Defined Contribution Funds (DCF). A combined financial statement has also been prepared.

i) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the Defined Contribution Funds to the RAF and a pension contract is established based on current interest rates and group annuity mortality tables.

Crown Investments Corporation of Saskatchewan is the Plan sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur.

ii) The DCF receive and hold, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions. The operations of the DCF are reported separately.

c) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act.**

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

Valuation of Investments

a) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.

b) Investment in pooled equity funds are carried at cost.

c) Short-term investments are carried at cost.

d) Investments are written down when there has been a decline in value, which is other than temporary.

2. Significant Accounting Policies (continued)

Investment Transactions and Income

Investment transactions are recorded on the trade date. Interest income is accrued monthly and distributions from the pooled equity funds are recognized on the record date.

3. Bonds and Debentures

Bonds and debentures include the following:

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	$ 8,047	$ 8,627	$ 7,153	$ 7,638
Province of Saskatchewan	2,308	3,058	2,153	2,872
Other Provincial	12,999	14,799	11,818	13,391
Corporate	782	845	788	867
	$ 24,136	$ 27,329	$ 21,912	$ 24,768

The RAF's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2003		2002	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	2.68 - 5.38%	0.00 - 10.25%	2.86 - 5.97%
Province of Saskatchewan	0.00 - 10.00%	4.45 - 5.59%	0.00 - 10.00%	4.90 - 5.84%
Other provincial	0.00 - 10.13%	3.29 - 5.78%	0.00 - 10.13%	3.10 - 6.07%
Corporate and convertible	8.80 - 10.55%	3.11 - 4.23%	8.80 - 10.55%	3.78 - 5.01%

3. Bonds and debentures (continued)

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2003		2002	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
	(thousands of dollars)			
Government of Canada				
Due in one year or less	$ 629	$ 650	$ 215	$ 215
After one through five years	1,080	1,290	1,180	1,340
After five years	6,338	7,239	5,758	7,077
Province of Saskatchewan				
After five years	2,308	2,419	2,153	2,287
Other Provincial				
Due in one year or less	-	-	402	400
After one through five years	199	200	474	475
After five years	12,800	16,837	10,942	13,184
Corporate				
After five years	782	750	788	750
	$ 24,136	$ 29,385	$ 21,912	$ 25,728

4. Pooled Equity Funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held as follows:

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	$ 3,467	$ 5,798	$ 3,382	$ 4,708
Non-North American equity funds	1,139	1,014	1,120	899
	$ 4,606	$ 6,812	$ 4,502	$ 5,607

5. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, an interest rate of 5.25% was used for the first 15 years and 6% thereafter. The interest rate assumption used in 2002 was 5.5% for the first 15 years and 6% thereafter. Also, the 1983 mortality tables have been used. If the interest rate used increases by 1%, the provision for annuity benefits decreases by $1,863,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by $2,172,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by $752,000.

The annual change in the liability is reflected in the statement of operations. The principal components of the change during the year were as follows:

	2003	2002
	(thousands of dollars)	
Provision, beginning of year	$ 21,248	$ 20,962
Increase in liability due to new annuitants during year	2,264	1,152
Net change in liability due to aging and gain from mortality	(284)	(109)
Expected annuity payments with interest	(1,945)	(1,910)
Interest on liabilities	1,169	1,153
Change in interest rate assumption	441	-
Provision, end of year	$ 22,893	$ 21,248

6. Fund Equity

Fund equity is intended as long-term capitalization of the RAF.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2003	2002
	(thousands of dollars)	
Investment income	$ 202	$ 195
Interest income receivable	87	84

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

8. Settlement of Claim

A judgment in the amount of $855,000 was rendered regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The original judgment ruled in favor of PCS Inc. and the amount was accrued during 2002. The court decision was subsequently appealed in 2003. The judgment resulting from the appeal ruled in favor of PCS Inc. The final settlement resulted in an additional liability of $1,158,000 relating to interest from January 1, 1994 to the date of judgment. This amount was recorded during the current year.

9. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments including:

a) cash,
b) short-term investments,
c) interest and accounts receivable, and
d) accounts payable

the cost approximates the fair value due to their immediate or short-term maturity.

The fair value of bonds and debentures is estimated based on bid quotations received from security dealers for these or similar investments.

The fair value of the pooled equity funds is based on the quoted market price of the underlying equity investments, normally the current bid price.

The fair value of the provision for annuity benefit cannot be readily determined, however information about this liability is provided in Note 5.

Combined Financial Statements of

CAPITAL PENSION PLAN

Year ended December 31, 2003

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AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the combined statement of net assets available for benefits of the Capital Pension Plan as at December 31, 2003 and the combined statement of changes in net assets available for benefits for the year then ended. These combined financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan as at December 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada
February 4, 2004

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CAPITAL PENSION PLAN

COMBINED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND FUND EQUITY

As at December 31

	2003				2002
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Assets					
Investments at market value (Note 4)	$ 667,246	$ 10,163	$ -	$ 677,409	$ 599,283
Investments at cost (Note 5)	-	-	29,185	29,185	27,150
Total investments	667,246	10,163	29,185	706,594	626,433
Cash	2,032	137	40	2,209	2,201
Contributions receivable	1,307	13	-	1,320	1,169
Interest and dividends receivable	1,603	1	307	1,910	1,965
Capital assets (Note 9)	31	-	-	31	51
Total assets	672,219	10,314	29,532	712,064	631,819
Liabilities					
Accounts payable (Note 13)	310	11	2,040	2,361	1,138
Prepaid participants' contributions	118	-	-	118	147
Provision for annuity benefits (Note 10)	-	-	22,893	22,893	21,248
Total liabilities	428	11	24,933	25,372	22,533
Fund equity	-	-	4,599	4,598	5,449
Total liabilities and fund equity	428	11	29,532	29,970	27,982
Net assets available for benefits	$ 671,791	$ 10,303	$ -	$ 682,094	$ 603,837

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director _____ Director _____

CAPITAL PENSION PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND FUND EQUITY

As at December 31

	2003					2002
	Diversified Fund	Pre-Retirement Fund	Total Defined Contribution Funds	Retirement Annuity Fund	Total	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (Note 6)	$ 24,801	$ 517	$ 25,318	$ 1,785	$ 27,103	$ 9,018
Contributions and transfers in (Note 7)	22,946	(645)	22,301	2,300	24,601	22,899
Net unrealized change in market value of investments	56,186	-	56,186	-	56,186	(26,154)
	103,933	(128)	103,805	4,085	107,890	5,763
Decrease in Assets						
Withdrawals and transfers out (Note 8)	20,708	2,794	23,502	-	23,502	27,831
Payments to pensioners	-	-	-	1,971	1,971	1,902
Increase in provision for annuity benefits (Note 10)	-	-	-	1,645	1,645	286
Operating expenses	2,006	40	2,046	161	2,207	2,122
	22,714	2,834	25,548	3,777	29,325	32,141
Increase (decrease) in Net Assets before the undernoted	81,219	(2,962)	78,257	308	78,565	(26,378)
Settlement of claim (Note13)	-	-	-	(1,158)	(1,158)	-
Increase (decrease) in Net Assets	81,219	(2,962)	78,257	(850)	$ 77,407	$ (26,378)
Fund equity, beginning of year	-	-	-	5,449		
Fund equity, end of year	-	-	-	$ 4,599		
Net assets available for benefits, beginning of year	590,572	13,265	603,837			
Net assets available for benefits, end of year	$ 671,791	$ 10,303	$ 682,094			

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. The Plan is available to all corporations both in the public and private sector upon approval of the Plan's Board of Directors. The Plan is subject to **The Pension Benefits Act, 1992**.

b) The Plan is comprised of the Diversified Fund (DF), the Pre-Retirement Fund (PRF) and the Retirement Annuity Fund (RAF). The DF and PRF are defined contribution funds while the RAF offers annuities to members upon retirement. The DF and the PRF are collectively called the Defined Contribution Funds (DCF).

i) The DF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The DF is available to all members and members who are more than five years from their earliest retirement date must participate in this fund. The DF holds bonds, equities, real estate, pooled funds, mortgages and short term investments. The DF's mandate is to provide long term capital appreciation for members. Allocation of interest is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

ii) The PRF receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to members whose age is within five years of their earliest allowable retirement date. The PRF's portfolio is invested solely in money market investments. The PRF is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on earnings realized from the investments. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

iii) The RAF was established to provide retirement annuities to members of the Plan. Members in the Plan, upon retirement, may purchase a life annuity through the RAF or through a private issuer. If the member elects to purchase from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

1. **Description of Plan (continued)**

   c) Crown Investments Corporation of Saskatchewan is the sponsor for the RAF and has ultimate responsibility for any shortfalls that may occur. The DF and PRF have no responsibility to fund any shortfalls in the RAF.

   d) Participants are responsible for the accuracy and completeness of member contributions remitted to the DF and PRF and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

   e) The Plan is a Registered Pension Plan and is not subject to income taxes under the **Income Tax Act**.

2. **Scope of Financial Statements**

   Separate funds exist for the DCF and the RAF but are subject to common administration. Accordingly, these combined financial statements have been prepared to reflect this common administration. For further information readers should refer to the individual statements of the DCF and the RAF.

3. **Significant Accounting Policies**

   These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends on future events.

   Valuation of investments

   a) The DCF investments are recorded at market value determined as follows:

      i) Bonds, debentures and equities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

         Bonds, debentures and equities not traded on the valuation date are valued at a price between the latest closing ask and bid prices.

         Bonds, debentures and equities not listed upon any exchange are valued in the same manner as above based upon available public quotations in common use or at a price estimated to be the true value thereof.

         Pooled funds are valued based on the quoted market price of the underlying investments.

      ii) Short-term investments are valued at cost which approximates their market value.

      iii) Mortgages are valued at their net present value using current market based rates of return.

      iv) Real estate investments are valued at market using an independent appraisal system that considers such factors as replacement cost and earnings results.

3. Significant Accounting Policies (continued)

b) The RAF investments are recorded as follows:

i) Investments in bonds and debentures are carried at amortized cost. Related premiums or discounts are amortized on a straight-line basis over the remaining term of the investment.

ii) Investments in pooled equity funds are carried at cost.

iii) Short-term investments are carried at cost.

iv) Investments are written down when there has been a decline in value, which is other than temporary.

Investment transactions and income

Investment transactions are recorded on the trade date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Interest income is accrued monthly and dividend income and distributions from pooled funds are recognized on the record date.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	5 years

4. Defined Contribution Funds Investments

	2003	2002
	(thousands of dollars)	
Diversified Fund		
Bonds and debentures		
Government of Canada	$ 73,763	$ 66,740
Province of Saskatchewan	3,509	2,948
Other provincial	27,255	26,252
Municipal	632	-
Corporate and convertible	30,228	32,195
	135,387	128,135
Pooled Funds		
Canadian fixed income fund	92,286	86,263
Non-North American equity fund	76,758	68,059
	169,044	154,322
Short-term investments	22,961	23,476
Equities	300,434	242,396
Mortgages	655	712
Real estate	38,765	38,369
	667,246	587,410
Pre-Retirement Fund		
Canadian money market fund	10,163	11,873
	$ 677,409	$ 599,283

a) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 2.60% to 3.59% (2002 – 2.68% to 3.04%). Interest is receivable at maturity.

b) Bonds and Debentures

The Funds' investment policy limits their investment concentration in any one investee or related group of investees to 10% of the fair value of their bond portfolio and to 30% for bonds and debentures issued by any one province.

4. Defined Contribution Funds Investments (continued)

Interest is generally receivable on a semi-annual basis for bonds and debentures. Interest rate risk for the Diversified Fund is shown in the following table.

	2003		2002	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	3.00 - 5.75%	2.96 - 5.18%	3.50 - 5.75%	2.94 - 5.32%
Province of Saskatchewan	5.25 - 6.40%	4.01 - 5.59%	5.25 - 6.40%	4.36 - 5.79%
Other provincial	5.00 - 10.00%	2.80 - 5.74%	5.25 - 8.75%	2.91 - 5.91%
Corporate and convertible	4.00 - 9.00%	2.90 - 7.00%	4.25 - 9.00%	3.25 - 7.00%

The principal amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds and debentures term to maturity - principal amount for the Diversified Fund:

	2003	2002
	(thousands of dollars)	
Government of Canada		
After one through five years	$ 33,253	$ 41,285
After five years	37,598	22,805
Province of Saskatchewan		
After one through five years	1,068	-
After five years	2,223	2,848
Other provincial		
After one through five years	1,026	6,311
After five years	24,205	18,352
Municipal		
After five years	618	-
Corporate and convertible		
Due in one year or less	460	-
After one through five years	15,153	16,233
After five years	13,082	14,772
	$ 128,686	$ 122,606

c) Equities

The Funds' investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Included in equities is $79,423,000 (2002 - $72,559,000) denominated in U.S. dollars.

4. Defined Contribution Funds Investments (continued)

d) Pooled Funds

The Plan limits its investment in individual pooled funds to not more than 10% of the market value of the individual pooled fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

e) Mortgage

The mortgage is secured by Canadian commercial property and has an effective and stated interest rate of 5.50% (2002 - 7.70%). Principal and interest are receivable on a monthly basis. The average term to maturity is 13.67 years (2002 - 12 years).

f) Real estate investments

Investments in real estate consist of Canadian commercial property.

Included in real estate is an investment of $2,022,000 (2002 - $2,145,000) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

5. Retirement Annuity Fund Investments

a) Retirement Annuity Fund investments consist of the following:

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Bonds and debentures	$ 24,136	$ 27,329	$ 21,912	$ 24,768
Pooled equity funds	4,606	6,812	4,502	5,607
Short-term investments	443	443	736	736
	$ 29,185	$ 34,584	$ 27,150	$ 31,111

Bonds and debentures include the following:

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Government of Canada	$ 8,047	$ 8,627	$ 7,153	$ 7,638
Province of Saskatchewan	2,308	3,058	2,153	2,872
Other Provincial	12,999	14,799	11,818	13,391
Corporate	782	845	788	867
	$ 24,136	$ 27,329	$ 21,912	$ 24,768

5. Retirement Annuity Fund Investments (continued)

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the fair value of its bond portfolio and to 30% for bonds and debentures issued by any one province.

Interest rate risk is shown in the following table. Interest is generally receivable on a semi-annual basis for bonds and debentures.

	2003		2002	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Government of Canada	0.00 - 10.25%	2.68 - 5.38%	0.00 - 10.25%	2.86 - 5.97%
Province of Saskatchewan	0.00 - 10.00%	4.45 - 5.59%	0.00 - 10.00%	4.90 - 5.84%
Other provincial	0.00 - 10.13%	3.29 - 5.78%	0.00 - 10.13%	3.10 - 6.07%
Corporate and convertible	8.80 - 10.55%	3.11 - 4.23%	8.80 - 10.55%	3.78 - 5.01%

The principal amount and carrying amounts are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2003		2002	
	Carrying Amount	Principal Amount	Carrying Amount	Principal Amount
	(thousands of dollars)			
Government of Canada				
Due in one year or less	$ 629	$ 650	$ 215	$ 215
After one through five years	1,080	1,290	1,180	1,340
After five years	6,338	7,239	5,758	7,077
Province of Saskatchewan				
After five years	2,308	2,419	2,153	2,287
Other Provincial				
Due in one year or less	-	-	402	400
After one through five years	199	200	474	475
After five years	12,800	16,837	10,942	13,184
Corporate				
After five years	782	750	788	750
	$ 24,136	$ 29,385	$ 21,912	$ 25,728

5. Retirement Annuity Fund Investments (continued)

b) Pooled equity funds

The RAF limits its investment in a single pooled equity fund to not be more than 10% of the fair value of its investment portfolio. Foreign equities are limited to 20% of the book value of the total funds. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager. The market value of the pooled equity funds held as at December 31, 2003 are:

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Canadian equity funds	$ 3,467	$ 5,798	$ 3,382	$ 4,708
Non-North American equity funds	1,139	1,014	1,120	899
	$ 4,606	$ 6,812	$ 4,502	$ 5,607

c) Short-term investments

At December 31, 2003, the Fund had $443,000 (2002 - $736,000) invested in short term investments with an average rate of 2.69% (2002 - 2.75%).

6. Investment Income

Investment income is comprised of the following:

	2003				2002
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Bond and debenture interest	$ 11,399	$ -	$ 1,666	$ 13,065	$ 15,695
Interest on short-term investments	730	517	20	1,267	892
Interest on mortgages	47	-	-	47	79
Dividends	5,949	-	104	6,053	5,661
Income from real estate	2,514	-	-	2,514	2,834
Gain (loss) on sale of bonds and debentures	2,670	-	(5)	2,665	2,113
Gain (loss) on sale of equities	1,530	-	-	1,530	(19,742)
Gain on sale of real estate	(38)	-	-	(38)	1,297
Realization of mortgage discount	-	-	-	-	189
	$ 24,801	$ 517	$ 1,785	$ 27,103	$ 9,018

7. Contributions and Transfers in

Contributions and transfers in are comprised of the following:

	2003				2002
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	$ 10,557	$ 168	$ -	$ 10,725	$ 10,255
Members' contributions	8,794	144	-	8,938	8,531
Voluntary contributions	791	18	-	809	843
Transfers into the fund	4,061	68	-	4,129	3,270
Interfund transfers	(1,257)	(1,043)	2,300	-	-
	$ 22,946	$ (645)	$ 2,300	$ 24,601	$ 22,899

8. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2003				2002
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Withdrawals	$ 20,678	$ 2,794	$ -	$ 23,472	$ 27,701
Transfers to other pension plans	30	-	-	30	130
	$ 20,708	$ 2,794	$ -	$ 23,502	$ 27,831

9. Capital Assets

Capital assets at cost less accumulated amortization

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
	(thousands of dollars)			
Computer equipment	$ 134	$ 108	$ 26	$ 40
Office furniture	20	15	5	8
Leasehold Improvements	25	25	-	3
	$ 179	$ 148	$ 31	$ 51

10. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by AON Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates. For purposes of this actuarial valuation, an interest rate of 5.25% was used for the first 15 years and 6% thereafter. The interest rate assumption used in 2002 was 5.5% for the first 15 years and 6% thereafter. Also, the 1983 mortality tables have been used. If the interest rate used increases by 1%, the provision for annuity benefits decreases by $1,863,000 or if the interest rate used decreases by 1%, the provision for annuity benefits increases by $2,172,000. If average mortality age increases by 1.1 years the provision for annuity benefits increases by $752,000.

The annual change in the liability is reflected in the combined statement of changes in net assets available for benefits. The principal components of the change during the year were as follows:

	2003	2002
	(thousands of dollars)	
Provision, beginning of year	$ 21,248	$ 20,962
Increase in liability due to new annuitants during year	2,264	1,152
Net change in liability due to aging and gain from mortality	(284)	(109)
Expected annuity payments with interest	(1,945)	(1,910)
Interest on liabilities	1,169	1,153
Change in interest rate assumption	441	-
Provision, end of year	$ 22,893	$ 21,248

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Funds by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2003				2002
	Diversified Fund	Pre-Retirement Fund	Retirement Annuity Fund	Total	Total
	(thousands of dollars)				
Participants' contributions	$ 6,382	$ 131	$ -	$ 6,513	$ 6,224
Investment income	185	-	202	387	389
Contributions receivable	883	8	-	891	785
Interest and dividends receivable	40	-	87	127	110

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

12. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds, real estate, mortgages and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

12. Investment Performance (continued)

The following is a summary of the DCF's investment performance before operating expenses:

	2003 Return		Rolling four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	13.8%	3.0%	5.5%	5.2%
Benchmark rate of return	13.2%	2.9%	2.1%	3.9%

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

13. Settlement of claim

A judgment in the amount of $855,000 was rendered regarding the Statement of Claim that had been filed against the Retirement Annuity Fund by the Potash Corporation of Saskatchewan Inc. (PCS Inc.), a former participant in the Fund. The original judgment ruled in favor of PCS Inc. and the amount was accrued during 2002. The court decision was subsequently appealed in 2003. The judgment resulting from the appeal ruled in favor of PCS Inc. The final settlement resulted in an additional liability of $1,158,000 relating to interest from January 1, 1994 to the date of judgment. This amount was recorded during the current year.

14. Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

For the following financial instruments:
a) cash,
b) short-term investments,
c) contributions receivable,
d) interest and dividends receivable, and
e) accounts payable
the carrying amounts approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 3 (a).

The fair value of the provision for annuity benefits cannot be readily determined, however information about this liability is provided in note 10.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.